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News Release

FOR IMMEDIATE RELEASE
Monday, December 20, 2010
WWW.USDOJ.GOV/USAO/MN

Savage man sentenced for mortgage fraud in connection with Sexton Lofts

A 42-year-old Savage man was sentenced earlier today in federal court in Minneapolis for executing a scheme to defraud mortgage lenders by arranging for the fraudulent purchase of condominiums located in the Sexton Building in downtown Minneapolis. United States District Court Judge Patrick J. Schiltz sentenced Brett A. Thielen to 27 months in prison on one count of mortgage fraud through the use of interstate wire and one count of engaging in a monetary transaction in criminally derived property. Judge Schiltz commented that Thielen's sentence would have been higher had it not been for Thielen's cooperation with the government against other suspects.

Thielen was charged on November 20, 2008, and pleaded guilty on December 11, 2008. In his plea agreement, Thielen admitted that from August of 2006 through April of 2007, he defrauded certain mortgage lenders by arranging for the fraudulent purchase of condominiums by various unqualified buyers at prices exceeding the true values of the units.

In May of 2005, Thielen, the sole owner of JJT Development, and two other people formed a company, Sexton Lofts, through which they planned to develop and sell the residential condominium units located in the seven-story Sexton Building. The written agreement among the Sexton Lofts partners gave Thielen a substantial financial incentive to complete and sell the units. However, that goal was hampered by certain events, including the downturn in the housing market that began in late 2005.

As a result, a three-step fraud scheme was developed to assist Thielen in selling the condos. In step one, Thielen provided cash to accomplices to purchase the condos at prices near true-market value. In step two, Thielen caused the accomplices to transfer ownership of the condos to Thielen for immediate resale to unqualified buyers at greatly inflated prices. Step three called for Thielen to then sell the condos to buyers recruited by his accomplices for prices that ranged from

30 to 80 percent higher than the prices Thielen had just paid for them.

According to Thielen's plea agreement, the recruited buyers paid for the condos entirely with borrowed funds. In order to obtain those funds, the buyers allowed some of Thielen's accomplices, who were mortgage brokers, to fill out loan applications on their behalf. Those applications contained false information about buyer income and credit worthiness. In addition, they falsely indicated the value of the condos. Thielen and his accomplices, as well as the buyers, received substantial kickbacks out of the funds borrowed from the mortgage lenders, which was not made known to the lenders.

From September 2006 through April 2007, 13 condos were purchased by unqualified buyers, resulting in losses to mortgage lenders in excess of \$2.5 million.

This case was the result of an investigation by the Internal Revenue Service-Criminal Investigation Division. It was prosecuted by Assistant U.S. Attorney David J. MacLaughlin.

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